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HRI Food Service Sector

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Report Highlights:

The hotel and restaurant trade is one of the most important sectors in the national economy of Switzerland, with one of the world's highest densities of restaurants per inhabitant. Potential for growth exists but market access can be challenging.

Includes PSD changes: No

Includes Trade Matrix: No

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I. MARKET SUMMARY

Switzerland offers significant market opportunities for American food products and potential for growth exists in the hotel, restaurant, institutional (HRI) sector. Although Switzerland is a relatively small market of just 7.2 million people, its HRI industry includes nearly 26,000 outlets, with sales amounting to SFr 21 billion (\$14 billion)¹.

Switzerland also enjoys one of the highest standards of living in the world. It has a modern and well-developed infrastructure (communication and transportation) and outstanding legal and banking systems. The Swiss food distribution system is among the most sophisticated in the world and market trends and consumption patterns are similar to the United States and Western Europe. All this contributes to a marketing environment well suited to high quality U.S. products.

Despite the turmoil in the global economy in 1998, the general economic environment in Switzerland has improved after several years of flat economic conditions. Unemployment fell more quickly than expected (to 2.7% forecast for 1999) and, on balance, consumer sentiment was positive for the first time in years. Prices are stable.

However, market access can be challenging, particularly for commodities and products which would compete with domestic production. Swiss law requires that foodstuff for retail sale be labeled in one of the three national languages (German, French and Italian). Country of origin has to be indicated for meat products at the restaurant level. Some market access liberalization has occurred in recent years and there is more transparency in import requirements.

Products such as beef, rice, treenuts and asparagus currently enjoy a strong market share. However, recent low economic growth and the aging and conservative nature of the population have led to little or no growth in U.S. exports or market shares the past years. In addition, these products have come under intensive pressure from competing countries.

Advantages	Challenges
High density of restaurants	Significant barriers against imported goods
Sophisticated food distribution system	Lack of information on reliable sources
High disposable personal income	Small market of 7.2 million people
Market trends similar to U.S.	Lack of awareness of the variety and diversity of U.S. products

¹Exchange rate: \$1.00 = SFr 1.50

II. ROAD MAP FOR MARKET ENTRY

A. ENTRY STRATEGY

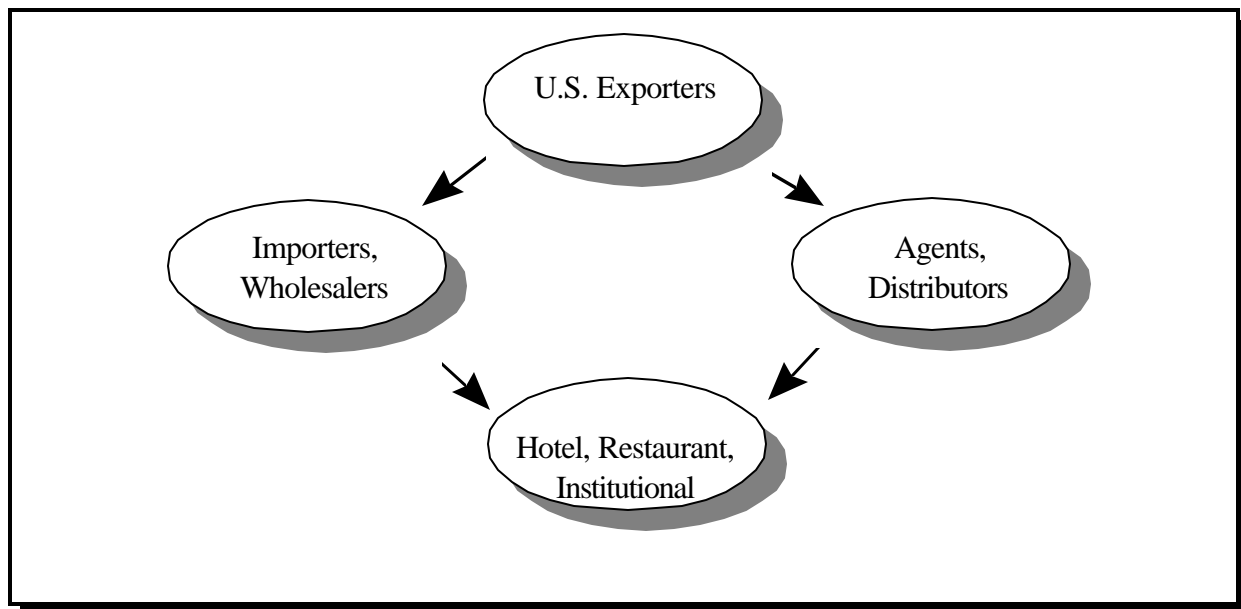
Important restaurant industry contacts can be made through participation at the IGEHO show in Basel, Switzerland, which is aimed at hotel, restaurants, and industrial and institutional catering. IGEHO, with nearly 800 exhibitors and more than 80,000 visitors in 1999, is the most efficient way to introduce a product to the Swiss catering business. The next IGEHO show will be held in November 16-21, 2001. Further information can be obtained the website: <http://www.messebasel.ch/igeho/indexe.htm>

The other major European food shows (SIAL in Paris, France, and ANUGA in Cologne, Germany), are also well attended by Swiss importers and buyers. Information on these shows can be obtained from the Office of Agricultural Affairs in Paris (agparis@fas.usda.gov) and the Agricultural Trade Office in Hamburg (atohamburg@fas.usda.gov).

B. MARKET STRUCTURE (HRI)

In general, the larger Swiss HRI firms purchase from wholesalers; smaller HRI firms may also buy from large retailers, including supermarkets. Fresh products may be purchased directly from producers, such as farms. The ability to obtain products quickly and reliably is important. Direct imports by HRI firms are negligible.

A company new to the Swiss market would be well advised to engage the services of a knowledgeable local agent or distributor. They can facilitate product introduction, ensure availability and conduct market surveys. Assistance in identifying appropriate Swiss food agents and distributors may be obtained by contacting the US Office of Agricultural Affairs at aggeneva@fas.usda.gov.



C. SUB-SECTOR PROFILES

The catering trade - hotels and restaurants - is a key element in the Swiss tourist industry and thus one of the most important sectors in the national economy. This trade achieves a total annual turnover of approximately SFr 21 billion (\$14 billion) (restaurants: SFr 15 billion or \$10 billion; hotels SFr 6 billion or \$4 billion).

There is an extremely large and widely varied range of catering services offered in Switzerland. These are provided by some 26,000 catering establishments of the most diverse kind and organization, from village taverns, local and city pubs through trendy restaurants with foreign and exotic cuisine, splendid country inns, simple and comfortable hotels to top restaurants and luxury hotels.

1. Hotels

In 1998, there were nearly 5,900 hotels with 259,400 beds. The number has not significantly changed in recent years, but quality has been widely adapted to the changing demands of tourism.

The number of overnight stays in hotels by Swiss tourists was 13.1 million in 1998 and by foreign visitors was 18.7 million. More overnight stays occur during the summer months (May-October) than during winter (November-April).

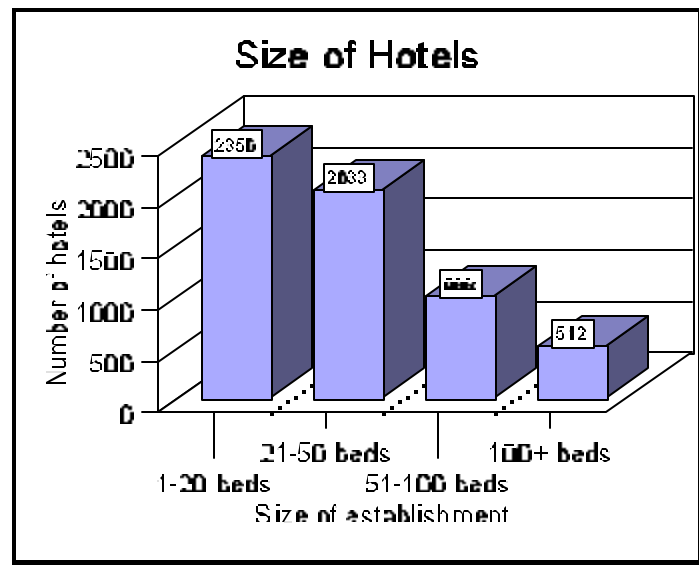
Small and medium-sized hotels predominate in Switzerland. Hotels having 1-20 beds account for nearly 40% of the total, and those with 21-50 beds account for 35%.

In 1998, tourists staying in hotels spent some SFr 2,802 million (\$1,868 million) on lodging and SFr 1,246 million (\$830.6 million) on meals. The average expenditure of a foreign tourist per overnight stay was SFr 148 (\$99) for lodging and SFr 66 (\$44) for meals.

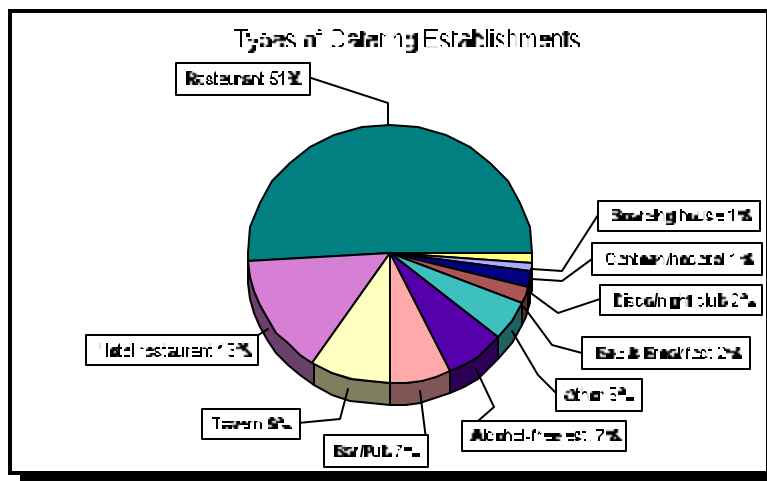
Domestic tourism contributed SFr 9 billion (\$6 billion) to the Swiss economy in 1998. Expenditures by foreign tourists amounted to SFr 11.4 billion (\$7.6 billion).

2. Restaurants

Switzerland has one of the highest densities of restaurants in the world, with a restaurant for every 270 inhabitants. In general, consumers are spending less money on each meal and drinking less alcohol with it. They also want something healthy on their plates every time.



Because of its cultural diversity, Switzerland also offers an unusually wide variety of cuisines catering to almost every taste. Traditional fare is featured at 27% of the restaurants; Swiss (fondue and raclette) at 19%; fish at 9%; vegetarian at 9%; French and Italian at 8% each; and grill at 7%. The remaining 13% is made up of Asian, ethnic and other cuisines. The number of specialties offered increases with the size of the establishment, with more than half (52%) offering only 1 or 2 specialties.



Over 46% spent on meals away from home goes to traditional-style restaurants and 17% to fast food outlets. School and company cafeterias account for about 9.5%. Restaurants featuring foreign cuisine account for 17% and the remaining 9.5% is spent at pubs, bars, highway facilities, etc.

On away-from-home meals, the Swiss spend an average of SFr 15.50 (\$10.35) for lunch and SFr 29.10 (\$19.40) for dinner. These two meals represent approximately 61% of meals taken outside the home. Breakfasts and mid-morning and afternoon breaks make up the remaining 39% of meals and average between SFr 5.21 (\$3.46) and SFr 7.34 (\$4.89).

For meals outside the home, food accounts for nearly 51% of the total cost. Coffee and tea represent 12.6%, as does wine. Mineral waters account for 11.4%, beer for 9.1%, and spirits and others for 3.4% of the cost of an average meal.

3. Institutional

Institutional caterers are a significant portion of the Swiss food service economy, serving numerous private (corporations) and public (universities, hospitals) entities. SV Service dominates the canteen business in the German speaking areas of the country while Gategourmet services Swiss Air and numerous other airlines from Zurich and Geneva. These companies rarely import directly, usually purchasing through recognized and established importers and distributors.

Following is a brief description of some of the major players in the food service scene in Switzerland:

- Migros, a cooperative association, is one of the two retail giants in Switzerland (the other one being Coop). Its in-store restaurants and delicatessens have more than 80 million visitors annually and sales of nearly \$714 million in 1998. In keeping with its corporate philosophy, these catering establishments feature fresh and ethically acceptable foods that are as little changed from their natural state as possible. Migros refuses to sell alcoholic drinks or tobacco products.
- SAirRelations' companies include Gate Gourmet, which provides catering to over 200 global, regional and local airlines, and Rail Gourmet, a service of on-board catering for high-speed trains.
- SV-Service is one of the dominate contract caterers in Switzerland. Its plan for the next few years is to break out of the contract catering sector and to expand into restaurants for the general public.
- Mövenpick is the leading Swiss hospitality company (hotels, restaurants, food and wine). Its philosophy emphasizes quality and innovation. In 1999, Mövenpick had 31 city restaurants and 19 restaurants along motorways, in airports and railway stations. In the future, Mövenpick restaurants in Switzerland will focus on catering in this transport sector.
- SSG is one of the largest transport catering companies in Switzerland, focusing on motorway service station businesses, rail-based catering and airport restaurants. It will soon be providing catering services for 75% of the vessels operating on Lake Geneva. The company is also planning to enter into the catering market for the multiplex cinema complexes which are starting to appear in various Swiss cities.

Top 10 Restaurant Companies (excluding hotel restaurants)

Company	1998 Sales (SFr million)	Type	Number (1998)	Location
Migros	682.0	Retail	208	National
McDonald's	400.2	Fast food	102	National
SAir Relations	249.1	Travel	30	National
SV-Service	372.0	Contract catering	354	National
Mövenpick	277.8	Full service	54	National
SSG	245.6	Travel	22	National
Coop	197.8	Retail	138	National
DSR	116.1	Contract catering	192	National
Merkur	103.7	Retail	90	National
Maus Frères	101.0	Retail	90	National

Source: Food-service

III. COMPETITION

Switzerland is self-sufficient in pork, dairy and other agricultural commodities, but imports approximately \$6 billion in food annually, accounting for 40 percent of total food consumption. The U.S. share of the agricultural import market in Switzerland remains at less than 5 percent. This extremely low share contrasts sharply with U.S. agricultural export performance in similar markets worldwide.

The main competition for U.S. exporters comes from domestic suppliers, followed by suppliers from the surrounding EU countries, which have the advantage of low transportation costs. U.S. exporters pay tariffs on processed products while some European exports may enter the Swiss market at preferential rates or tariff-free.

IV. BEST PRODUCT PROSPECTS

A. PRODUCTS PRESENT IN THE MARKET WHICH HAVE GOOD SALES POTENTIAL

- **Beef**

U.S. beef enjoys a good market share in Switzerland. Switzerland maintains a tariff rate quota for beef, and U.S. beef only enters within the quota (within the quota, the import duties are SFr 90 (\$60) per ton; outside the quota, duties range from SFr 7,400 (\$4,933) to SFr 22,070 (\$14,713) per ton). The quota level will continue to increase in the next few years and U.S. beef should be able to capture this new market opportunity.

- **Rice**

U.S. rice dominates the Swiss market with a consistent annual market share of 40%. Competition from India and Thailand is sharp, while overall demand remains flat. Increased market share will come from specific markets, such as restaurants and hotels and in conjunction with speciality foods.

- **Treenuts**

U.S. almonds and walnuts enjoy a good market share in the Swiss market. Annual growth rates for the past few years have exceeded 5%. Major competition is from Spain for almonds and from France for walnuts.

- **Asparagus**

U.S. green asparagus has a good market share in Switzerland and is well known for its quality and good prices. In recent years, U.S. market share has been reduced by growth of Spanish exports, which benefit from lower transportation costs, but Switzerland remains an excellent market for U.S. fresh green asparagus.

B. PRODUCTS NOT PRESENT IN SIGNIFICANT QUANTITIES BUT WHICH HAVE GOOD SALES POTENTIAL

- Wine

U.S. wine exports to Switzerland have grown in the past few years but remain a small portion of the overall very large Swiss market. Competition is primarily from France, Spain and Italy. There is good demand for quality wines, particularly high-end, in the restaurant and hotel sector.

- Fresh strawberries

Switzerland annually imports over \$40 million in fresh berries, mostly strawberries from Italy and Spain. Exports of U.S. berries to Switzerland have increased more than 35% in recent years and this strong growth is expected to continue.

- Organic and non-GMO foods

Swiss consumers have increasingly demanded natural food and agricultural products.

- Fresh and smoked fish and seafood products

Switzerland imported \$379 million of fish and seafood products, particularly groundfish, flatfish, salmon and crustaceans. However, the U.S. market share continues to be only 2 percent.

C. PRODUCTS NOT PRESENT BECAUSE THEY FACE SIGNIFICANT BARRIERS

- Orange juice

The Swiss orange juice market is dominated by concentrates from Brazil, which has a 66% market share. These imports are of a lower quality and a market exists for higher quality juice. A ready market exists for U.S. concentrated juice. Swiss import tariffs do not make a distinction between single strength and concentrates, a significant hurdle for U.S. single strength juice.

V. POST CONTACT AND FURTHER INFORMATION

If you have questions or comments regarding this report or require additional export assistance for Switzerland, please contact us at the following address:

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11, route de Pregny
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Switzerland

Tel: (41 22) 749-5247

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For further information on exporting U.S. agricultural products to Switzerland or other countries, visit the Foreign Agricultural Service home page: <http://www.fas.usda.gov>.